

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 NIC-01 ACDA-05 EB-04 OMB-01 TRSE-00 SAI-01

FEAE-00 OES-02 INT-05 COME-00 CIEP-01 STR-01 FRB-01

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 6123

INFO AMEMBASSY MOSCOW

USMISSION USBERLIN

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L BONN 17470

E.O. 11652: GDS

TAGS: ETRD, ENRG, EFIN, TECH, GW, UR

SUBJECT: NEW USSR/FRG ECONOMIC COOPERATION AGREEMENT

REF: MOSCOW 16852

1. REFTEL PROVIDES A SUMMARY OF THE MAJOR POINTS OF THE SUBJECT AGREEMENT. THE EMBASSY HAS POUCHED A COPY OF THE GERMAN TEXT TO THE DEPARTMENT (EUR/CE, EUR/SOV, INR/DDR/RES) AND WILL SUBMIT THE ENGLISH TEXT BY AIRGRAM AS SOON AS OUR TRANSLATION IS COMPLETED.

2. OUR ECONOMICS MINISTRY CONTACTS EMPHASIZED TWO FEATURES OF THE AGREEMENT: ASSISTANCE TO FOREIGN BUSINESSMEN AND COOPERATION IN THE RAW MATERIALS AND ENERGY SECTORS. THE US/SOVIET AGREEMENT PROVIDED THE MODEL FOR THE FORMER PROVISION WHILE THE LATTER REFLECTS THE INCREASING IMPORTANCE WHICH BOTH SIDES

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ATTACH TO EXPANDED TRADE IN THIS SECTOR.

3. THE BASIS FOR COOPERATION IN THE RAW MATERIAL AND ENERGY SECTOR WILL BE THE EXCHANGE OF INFORMATION BETWEEN GOVERNMENTS. THE SOVIETS WILL INDICATE WHICH RAW MATERIALS THEY WILL HAVE AVAILABLE FOR EXPORT AND IN RETURN THE GERMANS WILL INDICATE THOSE GERMAN INDUSTRIES WITH THE CAPACITY FOR INVESTMENT IN THE USSR. ON THE BASIS OF THIS EXCHANGE OF INFORMATION PROJECTS WILL THEN BE IDENTIFIED. AT THIS STAGE SPECIFIC GERMAN FIRMS WILL ENTER THE NEGOTIATING PROCESS. THE SOVIETS HAVE ALREADY EXPRESSED AN INTEREST IN GERMAN INVESTMENT FOR A 10 MILLION BARREL PER DAY PETROLEUM REFINERY ON THE BALTIC COAST.

4. THE AGREEMENT MAKES REFERENCE TO SPECIFIC CONTRIBUTIONS OF EACH COUNTRY AS A MEANS OF FURTHERING COOPERATION IN THIS SECTOR. THE GERMANS ARE TO CONTRIBUTE KNOWHOW, CAPITAL EQUIPMENT AND EXPERTS. IN ADDITION THEY ARE TO PROVIDE CREDIT ON SATISFACTORY TERMS. FOR THEIR PART THE SOVIETS ARE TO SUPPLY THE FRG WITH RAW MATERIALS OR SEMI-PROCESSED RAW MATERIALS ON A LONG-TERM BASIS EXTENDING BEYOND THE LIFE OF ANY CREDITS GRANTED TO FINANCE THE PROJECT. OUR SOURCE COMMENTED THAT THE GERMAN NEGOTIATORS MADE IT VERY CLEAR THAT THE FRG WOULD NOT PROVIDE SUBSIDIZED CREDITS. HE ALSO STATED THAT THE GOVERNMENT INTENDED TO HONOR ITS EXISTING INTERNATIONAL COMMITMENTS IN THE CREDIT FIELD IN THE CASE OF GOVERNMENT GUARANTEES OF CREDITS IN THIS SECTOR.

5. ACCORDING TO OUR SOURCE, THE HERMES LETTER WAS PROVIDED IN RESPONSE TO AN ORIGINAL RUSSIAN DEMAND FOR FORMAL EXTENSION OF THE 1958 TREATY UNTIL 1980. THE SIGNIFICANT FEATURES OF THE LETTER ARE THAT IT WAS GRANTED UNILATERALLY BY THE FRG, THAT IT REFERS TO THE "PRINCIPLES" OF THE 1958 TREATY AND NOT SPECIFIC ELEMENTS OF IT, AND THAT IT ALSO MAKES REFERENCE TO THE FRG'S OTHER INTERNATIONAL OBLIGATIONS. HILLENBRAND

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